

Kentucky Power Company

REQUEST

Please provide the specific calculation of each probable retirement year in the Depreciation Study. Also, please provide the installation date for each location.

RESPONSE

Please refer to page 2 of 443 of the depreciation study workpapers.

WITNESS James E. Henderson

Kentucky Power Company

REQUEST

For all accounts and locations for which the life span method is proposed, provide the following information to support the final retirement dates. Please respond to each item.

- a. Economic studies. (NARUC Manual, p. 146)
- b. Retirement plans. (NARUC Manual, p. 146)
- c. Forecasts. (NARUC Manual, p. 146)
- d. Studies of technological obsolescence. (NARUC, p. 146)
- e. Studies of adequacy of capacity. (NARUC Manual, p. 146)
- f. Studies of competitive pressure. (NARUC Manual, p. 146)
- g. Relationship of type of construction to remaining life span.
- h. Relationship of attained age to remaining life span.
- i. Relationship of observed features and conditions at the time of field visits to remaining life span.
- j. Relationship of specific plans of management to remaining life span.

RESPONSE

See response to AG Request No. 139.

WITNESS **James E. Henderson**

Kentucky Power Company

REQUEST

Do the life span analyses include interim additions? If so, please provide a detailed explanation of how and why interim additions are included.

RESPONSE

Interim Additions are not included.

WITNESS James E. Henderson

Kentucky Power Company

REQUEST

Please provide a narrative rationalization and explanation for every life span used in the Company's depreciation study. For example, if you are proposing a 45-year life span for a particular location, why is that any more appropriate than, say, 50, 55, or 60 years?

RESPONSE

Please refer to response to AG Request No. 139.

WITNESS James E. Henderson

Kentucky Power Company

REQUEST

Identify all circumstances unique to Kentucky which influence or have an impact on the life span estimates.

RESPONSE

The Company is not aware of any current circumstances unique to the State of Kentucky that impact the life span estimates.

WITNESS James E. Henderson

Kentucky Power Company

REQUEST

Provide a copy of the Company's most recent prior depreciation study and the Order(s) establishing the present depreciation rates.

RESPONSE

The Company's present depreciation rates were established by the Order in Case No. 91-066. The Attorney General was a party to that case and should have the data currently being requested.

WITNESS James E. Henderson

Kentucky Power Company

REQUEST

Identify and explain all changes between the current study and the most recent prior study.

RESPONSE

Please refer to JEH Exhibit I, Schedules II and III attached to the direct testimony of Witness Henderson.

WITNESS James E. Henderson

Kentucky Power Company

REQUEST

Provide a table summarizing separately by account the depreciation expense changes caused by life changes, net salvage changes, and other changes. Provide additional explanations of the "other changes."

RESPONSE

The Company has not performed such an analysis and therefore the data requested does not exist.

WITNESS James E. Henderson

Kentucky Power Company

REQUEST

Provide the Company's FERC Form 1 reports for the years 2000 – 2004.

RESPONSE

Copies of the FERC Form 1 for the years 2000 - 2003 are attached. A copy of the FERC Form 1 report for the year 2004 was included with Section II, Application Exhibit A, Page 122 of 352.

WITNESS Ranie K. Wohnhas

Kentucky Power Company

REQUEST

Reconcile the plant balances used to calculate the rates in the depreciation study with the plant balances shown in Column G of pages 204-207 of the 2004 FERC Form 1 report. Please give a full explanation for each difference.

RESPONSE

There should be no differences.

WITNESS James E. Henderson

Kentucky Power Company

REQUEST

Provide all FERC audit reports and the Company's responses thereto during the last 10 years.

RESPONSE

Please see the Company's September 26, 2005 filing, Volume 1, Section II, Application Exhibit A pages 109 through 121.

WITNESS Errol K. Wagner

Kentucky Power Company

REQUEST

Provide depreciation studies submitted to FERC during the last 10 years and all related correspondence including any approvals and disapprovals.

RESPONSE

Kentucky Power has not submitted any depreciation studies to FERC during the last 10 years.

WITNESS James E. Henderson

Kentucky Power Company

REQUEST

Identify and provide the parameters, methods, procedures and techniques that underlie the depreciation rates the company uses for FERC reporting and ratemaking versus those used for intrastate reporting and ratemaking. Also, provide a comparison of the actual calculation of the depreciation rates used for FERC ratemaking and reporting versus those used for intrastate ratemaking and reporting.

RESPONSE

The rates are the same.

WITNESS James E. Henderson

Kentucky Power Company

REQUEST

Provide a comparison by plant account of the annual FERC versus intrastate depreciation rates for the last 30 years.

RESPONSE

Please refer to the response to AG Question 158.

WITNESS James E. Henderson

Kentucky Power Company

REQUEST

Provide copies of all correspondence between the Company and the FERC concerning any life extension plan or maintenance program, or any request to treat retirement units or minor items of property differently than as prescribed by the FERC USOA.

RESPONSE

There is no such correspondence.

WITNESS James E. Henderson

Kentucky Power Company

REQUEST

Provide any and all internal studies and correspondence concerning the Company's implementation of FASB Statement No. 143, the FERC NOPR and Order No. 631 in RM-02-7-000, and FIN 47.

RESPONSE

The Company has no studies or correspondence concerning the implementation of SFAS 143 because, as discussed on pages 9 and 10 of Witness Henderson's direct testimony, the Company did not record any ARO's. The Company is currently reviewing FIN 47 and will provide any related correspondence, if any, when the review is completed.

WITNESS **James E. Henderson**

Kentucky Power Company

REQUEST

Provide complete copies of all correspondence with the following parties regarding the Company's implementation of FASB Statement No. 143, FIN 47 and the FERC NOPR and Order 631 in RM02-7-000.

- a. External auditors and other public accounting firms.
- b. Consultants.
- c. External counsel.
- d. Federal and State regulatory agencies.
- e. Internal Revenue Service.

RESPONSE

Please refer to response to AG Question No. 161.

WITNESS James E. Henderson

Kentucky Power Company

REQUEST

Regarding FASB Statement No. 143, FIN 47, and the FERC NOPR and Order No. 631 in Docket No. RM02-7-000, on a plant account-by-plant account basis, please identify any and all “legal obligations” associated with the retirement of the assets contained in the account that result from the acquisition, construction, development and (or) the normal operation of the assets in the account. For the purposes of this question, use the definition of a “legal obligation” provided in FASB Statement No. 143: “an obligation that a party is required to settle as a result of an existing or enacted law, statute, ordinance, or written or oral contract under the doctrine of promissory estoppel.”

RESPONSE

Please refer to Page 9 of Mr. Henderson's prefiled Direct Testimony.

WITNESS James E. Henderson

Kentucky Power Company

REQUEST

For any asset retirement obligations identified above, provide the “fair value” of the obligation. For the purposes of the question, fair value means “the amount at which that liability could be settled in a current [not future] transaction between willing parties, that is, other than in a forced or liquidation transaction.” Provide all assumptions and calculations underlying these amounts.

RESPONSE

Please refer to the response to AG Question No. 163.

WITNESS James E. Henderson

Kentucky Power Company

REQUEST

Provide complete copies of all Board of Director's minutes and internal management meeting minutes during the past five years in which any or all of the following subjects were discussed: the Company's electric plant depreciation rates; retirement unit costs; SFAS No. 143; FIN 47; and, FERC RM02-7-000.

RESPONSE

A review of the Kentucky Power Company's Board of Directors' minutes did not reflect any discussions in which any or all of the following subjects were discussed: the Kentucky Power Company's electric plant depreciation rates; retirement unit costs; SFAS No. 143; FIN 47; and FERC RM02-7-000. There are no internal management meeting minutes.

WITNESS Errol K. Wagner

Kentucky Power Company

REQUEST

Refer to page H-12 of Kentucky Power Company's (AEP) December 31, 2004 Form 10K. Provide the accounting entries (debits and credits) used to implement SFAS No. 143, along with all workpapers supporting those entries, including the workpapers supporting the calculation of the \$28.232 million (2004) and \$26.140 million (2003) regulatory liabilities for asset cost of removal. Please provide all these workpapers and calculations in electronic format (Excel) with all formulae intact.

RESPONSE

Please see attached worksheets. A copy of the worksheets are also being provided on the enclosed CD.

WITNESS James E. Henderson

<u>Unit</u>	<u>Descr</u>	<u>Acct</u>	<u>Descr</u>	<u>Sum Amount</u>	<u>Date</u>
117	Kentucky Power Co - Gene	1080001	A/P for Deprec of Plt	\$26,140,023.00	12/31/2003
117	Kentucky Power Co - Gene	1080011	Cost of Removal Reserve	-\$26,140,023.00	12/31/2003

Journal Entry that the Company used to implement SFAS No. 143.

<u>Company</u>	<u>as of December 2003</u>
<u>Kentucky Power</u>	
Removal cost in RWIP	\$4,388,953.47
Removal Cost in Reserve	(\$30,528,976.36)
	(\$26,140,022.89)

Note: RWIP = Retirement Work In Progress

Calculated amount of removal cost in the Company's Accumulated
Provision for Depreciation at 12/2003 and amount of removal
cost in RWIP at 12/2003

	Interim Removal	Gross Interim Removal	Net Demolition	Gross Demolition	Gross Salvage	Removal Costs
Kentucky Power						
Big Sandy Plant	0%	0	43,157,000	46,257,000	3,100,000	
	0%	0				
(Putnam -10% All Removal)	0	0	43,157,000	46,257,000	3,100,000	
Total Original Cost at 12/31/90		Original Cost 12/31/90	Gross Salvage as % of Plant	Gross Removal as % of Plant	Net Salvage	Reserve at 12/31/03
Net Interim Removal	43,157,000	196,734,106 Big Sandy	2%	24%	-22%	158,324,792
Net Demolition	43,157,000					30,528,976
Total Net Removal						0
Percent	22%					0
Gross Interim Removal	0					0
Gross Demolition Removal	46,257,000					0
Total Gross Demolition	46,257,000					0
Percent	24%					0
Gross Interim Salvage	0					0
Gross Demolition Salvage	3,100,000					0
Total Gross Salvage	3,100,000	196,734,106				0
Percent	2%					0
						158,324,792

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 158,324,792

FINANCIAL PAGE DISCLOSURE
Removal Costs in RWIP

<u>Company</u>	<u>Co No</u>	<u>as of December 2003</u>
Kentucky Power - Gen	117	\$4,388,953.47

<u>Company</u>	<u>COR Reserve at 12/2004</u>	<u>Removal in RWIP</u>	<u>Adjustment</u>	<u>Total Removal</u>
Kentucky Power - Distr	-\$936,915.83	\$838,381.65		-\$98,534.18
Kentucky Power - Gen	-\$28,765,543.15	\$569,044.20		-\$28,196,498.95
Kentucky Power - Transm	\$49,738.05	\$200,620.38	\$187,188.83	\$63,169.60
	-\$29,652,720.93			-\$28,231,863.53

Source: Query from the Company's PowerPlant software at 12/2004

Note: The removal cost used in 12/2004 was adjusted as noted in the Adjustment column above in 3/2005.

<u>Company</u>	<u>COR Reserve at 12/2004</u>
Kentucky Power - Distr	\$936,915.83
Kentucky Power - Gen	\$28,765,543.15
Kentucky Power - Transm	-\$49,738.05
	\$29,652,720.93

Source: Query from the Company's PowerPlant software at 12/2004

<u>Company</u>	<u>GL Account</u>	Removal Cost in RWIP Amt at 12/2004
Kentucky Power - Distr	1080005 Retr Work in Progress	\$838,381.65
Kentucky Power - Gen	1080005 Retr Work in Progress	\$569,044.20
Kentucky Power - Transm	1080005 Retr Work in Progress	\$200,620.38
		\$1,608,046.23

Source: Query from the Company's PowerPlant software at 12/2004.

